

Message Text

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INFO OCT-01 ISO-00 SSO-00 CCO-00 /026 R

DRAFTED BY NEA/ARN:TJCAROLAN:PDW

APPROVED BY P:PHABIB

NEA:SSOBER

PM:RERICSON (DRAFT)

T:AJORDAN (DRAFT)

S/S:RLAMANTIA

S:HCOLLUMS

S/S-O; MTANNER

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 197586 TOSEC 200256

EXDIS, FOR THE SECRETARY THROUGH ATHERTON FROM HABIB

E.O. 11652:GDS

TAGS: PFOR MASS JO US SA

SUBJECT: ACTION MEMORANDUM: JORDAN AIR DEFENSE

(S/S NO. 7617069)

1. SAUDI FOREIGN MINISTER PRINCE SAUD INDICATED TO
AMBASSADOR PORTER ON AUGUST 9 (JIDDA 5482, TOSEC 200228)
HIS "GREAT SATISFACTION" OVER OUROFFER TO AGREE TO
THE JORDANIAN AIR DEFENSE PAYMENT SCHEDULE DESIRED BY THE
SAG IF IT, IN TURN, WOULD AUTHORIZE DOD TO DRAW, AS
NECESSARY, ON FUNDS DEPOSITED IN REGULAR SAUDI FMS ACCOUNTS
WITH THE USG (FOR THE SAG'S OWN PURCHASES) TO MAKE UP ANY
SHORT-FALLS IN SAUDI PAYMENTS FOR THE JORDANIAN PROGRAM
DURING ITS INITIAL YEARS (STATE 196840, TOSEC 200199).
PRINCE SAUD'S POSITIVE REACTION AND HIS UNDERTAKING TO
PROVIDE AMBASSADOR PORTER WITH AN OFFICIAL SAUDI RESPONSE
TO OUR PROPOSAL ENCOURAGES US TO BELIEVE THAT THE

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HAWK/VULCAN PAYMENTS PROBLEM MAY FINALLY BE ON THE VERGE

OF SOLUTION.

2. PRIOR TO RECEIVING OUR CABLE CONTAINING THE ABOVE MENTIONED PROPOSAL, AMBASSADOR PORTER HAD REQUESTED OUR COMMENTS ON CERTAIN OTHER POSSIBILITIES FOR RESOLVING THE PAYMENTS PROBLEM (JIDDA 5423, TOSEC 200184). WHILE WE HAD PREVIOUSLY EXAMINED MOST OF THESE POSSIBILITIES AND FOUND

THEM GENERALLY UNWORKABLE, ONE OF THEM INVOLVES THE USE OF U.S. AID FUNDS TO COVER ANY INTEREST PAYMENTS THAT WE HAD EARLIER THOUGHT MIGHT BE NEEDED IN CONNECTION WITH THE PAYMENT SCHEDULE DESIRED BY THE SAG. THIS COMES CLOSE TO ANOTHER IDEA FOR RESOLVING THE PAYMENTS PROBLEM THAT WE HAVE BEEN EXPLORING WITH YOUR APPROVAL--THAT OF USING UP TO DOLS 85 MILLION (AT ZERO INTEREST) IN UNALLOCATED DIRECT FMS CREDITS FOR THE TRANSITIONAL QUARTER TO HELP REDUCE TO MORE MANAGEABLE PROPORTIONS THE PROJECTED SHORT-FALL IN PAYMENTS UNDER THE SCHEDULE DESIRED BY THE SAG. OUR DISCUSSIONS OF THIS POSSIBLE OPTION WITH OMB AND THE WHITE HOUSE HAVE NOT YET PRODUCED AGREEMENT ON IT WITHIN THE ADMINISTRATION.

3. DESPITE THE LATEST ENCOURAGING WORD FROM THE SAUDIS, WE THINK WE OWE AMBASSADOR PORTER THE INFORMATION HE HAS REQUESTED WITH REGARD TO THESE OTHER POSSIBILITIES, IF ONLY TO KEEP HIM AS WELL INFORMED AS POSSIBLE IN HIS FUTURE DEALINGS WITH THE SAG ON THE PAYMENTS PROBLEM. THE ENCLOSED DRAFT TELEGRAM TO JIDDA THUS CONVEYS TO HIM OUR COMMENTS ABOUT THE IMPRACTICALITY OF THE VARIOUS PAYMENT POSSIBILITIES HE HAS RAISED AND CONFIRMS OUR STRONG PREFERENCE FOR THE ARRANGEMENT WHEREBY THE SAUDIS WOULD ALLOW US TO APPLY FUNDS DEPOSITED IN THEIR OVERALL FMS ACCOUNTS TO TAKE UP ANY TEMPORARY SLACK IN PAYMENTS FOR JORDAN'S AIR DEFENSE PROGRAM DURING ITS INITIAL TWO TO THREE YEARS.

4. RECOMMENDATION: THAT YOU APPROVE THE ENCLOSED DRAFT TELEGRAM FOR TRANSMISSION TO EMBASSY JIDDA.

APPROVE DISAPPROVE

5. PROPOSED MESSAGE TO JIDDA:

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ACTION ADDRESSEE: JIDDA IMMEDIATE

INFO ADDRESSEE: AMMAN IMMEDIATE

EXDIS, FOR AMBASSADOR FROM THE SECRETARY

E.O. 11652: GDS

TAGS: PFOR MASS JO US SA

SUBJECT: JORDAN A;R DEFENSE

REF: (A) JIDDA 5482, (B) JIDDA 5423

WE ARE GREATLY ENCOURAGED BY REPORT OF YOUR AUG 9 MEETING WITH PRINCE SAUD AND HIS POSITIVE REACTION TO OUR LATEST SUGGESTION FOR RESOLVING THE PAYMENTS PROBLEM. WE HOPE THE

OFFICIAL SAG RESPONSE WILL BE EQUALLY FAVORABLE, SINCE WE VIEW THE FUND-SHIFTING PROPOSAL CONTAINED STATE 196840 AS THE ONE POSITIVE IDEA WE ARE NOW ABLE TO PUT FORWARD FOR ACCOMMODATING SAUDI REQUEST FOR A REVISED PAYMENT SCHEDULE IN A WAY THAT WOULD AVOID RAISING OTHER PROBLEMS.

FYI: IDEAS COVERED BY YOUR SUGGESTIONS IN PARAS 7 THROUGH 10 REFTTEL B HAVE FIGURED PROMINENTLY IN OUR EXAMINATION OF OTHER POSSIBLE WAYS IN WHICH TO RESOLVE THE PAYMENTS PROBLEM TO MUTUAL SATISFACTION OF USG AND SAG. UNFORTUNATELY, MOST OF THEM ENTAIL SERIOUS HANDICAPS OR OTHER DISADVANTAGES.

FOR EXAMPLE, WE ARE CONVINCED THAT THE JORDANIANS, EVEN IF THEY WERE SO MINDED, COULD NOT RPT NOT COVER FROM THEIR OWN VERY LIMITED RESOURCES THE SUBSTANTIAL INTEREST CHARGES THAT WOULD BE ASSOCIATED WITH TEMPORARY FINANCING TO SUPPLEMENT SAUDI PAYMENTS IN THE INITIAL YEARS OF JORDAN'S HAWK/VULCAN PROGRAM. WE WERE FORCED TO DISMISS THIS POSSIBILITY AS A NON-STARTER EARLY IN THE GAME.

WE HAVE ALSO EXAMINED A WIDE RANGE OF POSSIBILITIES INVOLVING USE OF U.S. AID FUNDS ALLOCATED FOR JORDAN IN
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FY 1976 AND SUCCEEDING YEARS TO COVER NOT ONLY INTEREST CHARGES, BUT--PRIOR TO OBTAINING SAUDI AGREEMENT TO FUND THE ENTIRE DOLS 540 MILLION ESTIMATED COST OF THE AIR DEFENSE PROGRAM--A PORTION OF THE PROGRAM ITSELF. HOWEVER, DRAWING ON SUCH FUNDS TO COVER INTEREST CHARGES MIGHT BE DIFFICULT TO JUSTIFY TO CONGRESS. THE SAME MIGHT BE TRUE OF ANOTHER POSSIBILITY--THAT OF PROVIDING ADDITIONAL FMS CREDITS, DIRECT AND AT ZERO INTEREST, TO JORDAN IN ORDER TO DRAW ON THEM AS NECESSARY TO MAKE UP SHORTFALLS IN SAUDI PAYMENTS IN THE INITIAL YEARS OF THE JORDANIAN PROGRAM. (SUCH CREDITS WOULD BE REPAYED IN SUCCEEDING YEARS FROM ONGOING SAUDI PAYMENTS UNDER THAT SAME PROGRAM.) WHILE THIS IDEA MIGHT STILL BE PURSUED IF SAUDIS DECIDE TO TURN DOWN THE FUND-SHIFTING ARRANGEMENT YOU PROPOSED TO PRINCE SAUD ON AUG 9, WE HAVE NOT RPT NOT

YET RESOLVED VARIOUS INTERNAL PROBLEMS CONNECTED WITH IT.

WITH TIME CONTINUING TO RUN ON, I DO NOT WANT US TO BECOME
BOGGED DOWN IN FURTHER CAT AND MOUSE GAMES WITH THE SAUDIS
AND JORDANIANS OVER HAWK/VULCAN FUNDING. I THEREFORE HOPE
YOU CAN INDUCE SAG TO AGREE FORMALLY AND WITHOUT FURTHER
ADO TO THE FUND-SHIFTING ARRANGEMENT WE HAVE PROPOSED.END FYI

6. DRAFTED BY: NEA/ARN:TJCAROLAN.

CLEARED BY: NEA:SSOBER; PM:RERICSON; T:AJORDAN;

S/S:RLAMANTIA ; S:HCOLLUMS . ROBINSON

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NNN

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